

Message Text

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SECTREASURY

C O N F I D E N T I A L CAIRO 2449

TREASURY FOR PARSKY

E.O. 11652: GDS

TAGS: EINV USEGJC EG

SUBJECT: GOODYEAR INVESTMENT PROJECT

REF: (A) CAIRO 0431 (B) STATE 2386

1. PROSPECTS FOR GOODYEAR JOINT VENTURE TIRE PLANT DO NOT APPEAR TO BE GOOD. EMBOFF LEARNED FROM DR. ABDEL MUNEIM RUSHDI, DIR GEN INVESTMENT AND FREE ZONE AUTHORITY, THAT GOODYEAR PROPOSAL WILL NOT BE CONSIDERED AT AUTHORITY'S NEXT MEETING, PROBABLY TO BE HELD FEBRUARY 29.

2. ACCORDING TO RUSHDI, GOE HAS ASKED FOR FURTHER DETAILS FROM GOODYEAR ON ITS PROPOSAL. RUSHDI READ EMBOFF RATHER SHARP TELEX FROM PURCELL IN WHICH GOODYEAR COMPLAINED THAT GENERAL ORGANIZATION FOR INDUSTRIALIZATION (GOFI) WAS RERAISING ISSUES ALREADY SETTLED. RUSHDI CLAIMED THAT AFTER MOST RECENT GOODYEAR PRESENTATION THESE ISSUES HAD NOT BEEN SETTLED AND THAT GOFI ONLY HAD PROMISED TO "STUDY MATTER FURTHER." HE REFERRED TO "HIGH"GOODYEAR DEMANDS FOR FOREIGN EXCHANGE GUARANTEES AS JUSTIFICATION FOR GOFI POSITION.

3. ANOTHER MAJOR OBSTACLE TO APPROVAL OF GOODYEAR'S
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PROJECT APPEARS TO BE WHAT EGYPTIANS CONSIDER BETTER
TIRE PLANT PROPOSALS FROM MICHELIN AND POSSIBLY DUNLOP.

A FEW DAYS AGO MINECON SHAFEI TOLD DCM THAT MICHELIN PROMISED TO EXPORT FIFTY PERCENT OF THEIR PRODUCTION AND WOULD NOT REQUIRE FOREIGN EXCHANGE GUARANTEES. WHEN QUERIED ABOUT PLAUSIBILITY OF MICHELIN ACHIEVING EXPORT TARGET, RUSHDI REPLIED THAT THERE HAD BEEN SEVERAL EXCHANGES WITH MICHELIN ON THIS ISSUE AND SUGGESTED THAT GOE ACCEPTS MICHELIN STATEMENT THAT THEY WILL BE ABLE TO REACH FIFTY PERCENT EXPORT LEVEL. HE FURTHER STATED THAT GOFI AND AUTHORITY MUST GIVE FAVORABLE CONSIDERATION TO PROPOSALS WHICH MOST CLOSELY FIT OBJECTIVES OF INVESTMENT LAW (I.E., SELF-SUFFICIENCY IN FOREIGN EXCHANGE). HE DID NOT INDICATE WHETHER AUTHORITY WOULD CONSIDER MICHELIN PROPOSAL FEBRUARY 29.

4. COMMENT: FRENCH OFFER, WHICH DOES NOT INCLUDE REQUIREMENT FOR FOREIGN EXCHANGE GUARANTEES, MUST BE VERY APPEALING. WE HAVE LONG OBSERVED INABILITY AND UNWILLINGNESS OF GOE TO PROVIDE FOREIGN EXCHANGE GUARANTEES FOR IMPORT SUBSTITUTION PROJECTS. MININD HAS REFUSED TO MAKE THESE GUARANTEES ARGUING THAT IT DOES NOT HAVE SUFFICIENT FOREIGN EXCHANGE FOR ITS OWN EXISTING INDUSTRIAL PLANTS. MINECON DOES NOT HAVE AUTHORITY, WHILE MINFIN HAS NEVER SERIOUSLY STUDIED QUESTION.
EILTS

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